Assessment of the effect of resource allocation on digital transformation in the Zimbabwean life insurance industry

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Abstract

The present study attempts to assess the effect of resource allocation on digital transformation in the Zimbabwean life insurance industry. The study used a positivist research philosophy and a quantitative research approach. Data was collected using an email survey questionnaire from employees and management of four big Life insurance companies in Zimbabwe. The study findings revealed that resource allocation positively influenced digital transformation in the Zimbabwean Life insurance industry. The study recommends that managers in the Life insurance industry hire technologically proficient people to ensure digital transformation success and hire digital transformation consultants to help them with their digitalization process. Life insurance companies are urged to develop a digital transformation strategy. Future researchers are urged to look at other factors which affect digital transformation.

Introduction

The insurance industry is under pressure to digitize in order to remain competitive. Consumer expectations have changed and customers now expect a digital experience from their insurers. In order to meet these expectations, insurers need to digitize their products and processes. This digital transformation will enable insurers to improve customer engagement, streamline operations and drive growth. The insurance industry has faced tremendous changes not only in the last few years, but also in the last decade or so. Historically low rates in the past 12 years have meant riskier investments for insurance companies, and firms were further put to the test by an increase in claims in 2020-2021 due to the coronavirus pandemic. Beyond that, customer expectations are shifting at the rate of digital--and service providers are expected to keep up.

According to MuleSoft, 2022, 30% of organisational strategists and key decision-makers believe that automation will be at the helm of future digital transformation. Direct digital transformation funding is anticipated to grow at a 16.5% CAGR from 2022 to 2024, accounting for 55% of total information technology investment by the end of 2024. According to KPMG report (2022), by 2023, 90% of global enterprises would take priority spending in digital technology to augment physical locations and goods with web and mobile applications. Digital transformation is the use of technology to radically improve the performance or reach of an organisation (Deloitte, 2018).

In a digitally transformed business, digital technologies enable improved processes, engaged talent, and new business models. According to Boshi (2022) digital transformation can help insurers meet new customer expectations and needs by enhancing product development and offering channels, such as digital-first experiences and 24/7 support. Additionally, digital capabilities can aid in meeting operational goals such as fraud prevention and assist integrated risk management initiatives.

Enterprises combine digital technologies, such as information, computing, communication, and connectivity, to conduct a comprehensive, collaborative transformation of products, services, processes, models, and organizations (Wimelius, et al 2021).
Digital technologies have infiltrated business opportunities, innovative products and services, and new business models (Cetindamar, & Phaal, 2021). All of this is done to empower digitally resilient enterprises through comprehensive technological marketing plans and re-platforming to enable a dynamic, content, collaborating workplace. These trends are well documented in the first world with nascent literature in developing world.

Furthermore, there is embryonic literature in this concept in the Zimbabwean context and in particular the insurance industry. Although digital transformation has been a hot topic in ICT, since year 2000, significantly less study has been undertaken on the influence of strategy on digital transformation. Rapid changes in market and consumer trends, are stirring the level of life insurance sector and driving many organisations to shift their structures and concepts into Industry 4IR models and concepts, notably digitalisation (Akdil et al., 2018). With regards to building blue ocean initiatives for growth prospects, competitiveness, and client quality enhancement, the current market trend is becoming digital to suit consumer needs (CGI, 2017). The term digital transformation in commerce describes a major structural transition that resulting in an entirely new development corridor via the application of numerous communications technologies to all aspects of the organisation (Deloitte, 2018).

Digital transformation is the tremendous and gaining speed in business activities, procedures, proficiencies, and concepts to wholly utilize the changes and possibilities managed to bring by electronic and their effects throughout all society in a tactical and given preference manner. According to CGI (2017) survey, organisations view digital transformation as a core business strategy that must be driven by a strategy. Technologies and company’s strategic enhancement must be a constant process that can bring up new possibilities for development and expansion (Salkin et al., 2018).

Organisations are experiencing massive alterations in their strategic structures as a result of technology advancements and environmental volatility. In other words, businesses should adjust its plans and organisational architectures through times in order to establish and align between the things the organisation intends to do (objectives) and how the company intends to do it (strategic) (Yewol et al., 2018). A basic issue in digital transformation is connecting the technological strategy with the company strategy (Ross et al., 2017). Despite the fact that 96% of CEOs in a CGI (2017) research said they had established and managed a strategic plan, just 10% had achieved corporate results. This infers that various organisations fail to align their strategy while developing its overall strategy (Deloitte, 2018). Digital transformation and other related technologies present significant implications in order to ensure the planned convergence of technology with business tactics. It is now a poor approach of dealing with technology apart from business strategy. Instead, business should use and arrange technology in accordance with the business's conventions, culture, and values.

Therefore, this paper aims at examining the effect of resource allocation on digital transformation in the Zimbabwean Life insurance industry, using a positivist research philosophy and quantitative research approach.

**Literature Review**

The literature review explained the theoretical foundation and the empirical literature that were used to support the study.

**Digital Transformation**

According to Fitzgerald et al., (2014), digital transformation is the use of modern digital technologies including social media, mobile computing, intelligence, or microcontrollers to allow major commercial benefits such as improved user experiences, simplified processes, or operating models. Bondar et al., (2017) further said that digital transformation is the application of information and communication technology in situations where completely novel capabilities are generated in business, public governance, and people's and society's lives. Digital transformation has an impact on the whole company and its commercial practices, Zott & Amit, (2008) and energies outside basic organisational process and task changes. It reorganizes operations in order to change the functionality or value generating process of a corporation (Zhang et al., 2018). Furthermore, digital transformation employs modern media to promote bridge contacts with vendors, customers, and competitors (Singh & Hess, 2017). It also assists firms in gaining a competitive advantage by altering their core competences or creating additional ones (Liu et al., 2011). Digital transformation is intrinsically linked to major shifts in the paradigm brought about by the digitalization (Sebastian et al., 2017). To conclude, digital transformation is a corporation phenomenon with broad organisational implications, most particularly that now the firm's fundamental pricing structure is susceptible to alterations as a result of the use of internet age (Lakhani & Lansiti, 2014). Firms seek and execute business model innovation in their quest of digital transformation.

**Evolution of Digital Transformation in The Insurance Sector**

One of the earliest examples of digital transformation in the insurance sector is the use of scanners and complex algorithms to price insurance premiums more accurately. This increased accuracy resulted in insurance companies becoming more profitable, and also allowed them to better manage risk (Bosha, 2022). In the late 1990s, insurance companies began to use the internet to sell insurance products directly to consumers. This generated a new source of revenue for insurance companies, and also helped to increase customer loyalty and retention. In recent years, insurance companies have been using digital technology to drive further transformations in the way they do business. For example, insurance companies are now using data analytics to better understand customer needs and preferences, and to identify new opportunities for growth. Further factors driving transformation include the increasing digitization of the economy, the rise of new technologies such as the Internet of Things (IoT), and the changing needs and expectations of insurance customers (Bosha, 2022). The insurance sector is now more focused on customer experience, data-driven decision making,
and providing innovative products and services that meet the needs of a digital world. This transformation is set to continue in the years ahead, as insurance companies increasingly adopt new technologies and approaches that will help them to remain competitive in a rapidly changing market.

**Resource Allocation**

According to Maritan & Lee, (2017), resource allocation refers to the process of allocating and investing time in order to achieve the corporate strategy objectives of a company. The management of tangible assets such as equipment in order to increase the usage of emotional assets such as intellectual resources is referred to as allocating resources. It requires balancing competing goals and needs and determining the most effective strategy to maximize resource utilization and investment returns. Organisations set their ultimate aim, such as greater income, enhanced productivity, or digital transformation, while practicing resource allocation.

**Resource Allocation on Digital Transformation**

Klingebiel et al., (2014) shown experimentally that the allocation of resources has an impact on the entire digital transformation process. Distributing supplies to a broader variety of innovative initiatives boosts project financing and success rates. This selectivity in coverage impact is strongest for enterprises that aspire to generate considerably more innovative goods that deviate more based on their wants to educate. The authors hypothesize that breadth improves performance by spreading organisations' investments on uncertain transformation initiatives. Limiting large investments by abandoning underperforming programs decreases total cost increases. This merit grows as the hesitation inherent with increased inventive purpose grows.

Chaohong et al., (2022) With the fast expansion of economic digitalization, the digitalization of several value chain segments, including manufacturing, promotion, and leadership, has expanded dramatically, altering the shape of organisational production management. As a result, they investigated the link between digital transformation of supply chain and efficiency, in addition to the regulating influence of allocating resources.

According to the research, digital transformation of supply chain can enhance performance. So when two types of digital transformation are implemented together, digital management conversion outperforms new automation revolution and digital advertising transformation in terms of performance. They also observed a measure of value disparity between digital transformation of firms' different value chain links and different bits of business operations. Digital advances in manufacturing, advertising, and management, in particular, have only a little impact on shareholder accountability, social obligation, and stakeholder and employee engagement. This result suggests that the complete value chain's digital transformation has to be further streamlined and integrated in order to attain performance levels that match the value chain.

**Research Methodology**

This study employed a positivist research philosophy and quantitative research approach. These two methodologies allow the researchers to collect data and collate it into data sets, tracing patterns, trends, correlations, and finding cause and effect relationships through statistical analysis.

**Population and Sampling Technique**

The target population for the study consisted four major life insurance firms in Zimbabwe out of the eleven life insurance firms as reported by Insurance and Pensions Commission (IPEC) (2021). The report also asserted that the life insurance industry has a staff complement of five hundred and ninety-four (594) in core process such as new business sections, underwriting, policy services and administration, the finance as well as the claims and client services.

The study used quota sampling, a sort of non-probability sampling in which quotas are allotted to separate divisions while sample elements are then selected depending on judgment or preference. The sample size composed of general employees (those in finance and accounting, information technology, operations, and claims management), and senior management and executives in the Zimbabwe Life Insurance Sector.

**Data Collection and Analysis**

Data was collected using email surveys questionnaire. This study's research questionnaire was pilot tested with ten homogeneous respondents who were not among the target respondents. SPSS version 23 was used to analyze the data.
Findings

The study result in table 1 indicated that there is a substantial positive link between resource allocation and digital transformation ($t=7.835, p=0.00<0.05$). Table 2 also confirms that there is a significant relationship connecting resource allocation and digital transformation.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visioning</td>
<td>.605</td>
<td>.077</td>
<td>7.365</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent variable: Digital Transformation

The significant value was closer to 0.05 but however still below the threshold $p = 0.05$ (still less than 0.05). The study result indicated that allocating resources and technology trends have a strong positive association. A unit increase in efforts towards efficient resource allocation improves the digital transformation process by 33.6% all other things being equal.

Table 2: Resource Allocation & Digital Transformation

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Correlation</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>88</td>
<td>.336</td>
<td>.004</td>
</tr>
</tbody>
</table>

Source: Primary Data, (2022)

The results are in accordance with the findings of (Klingebiel & Rammer, 2014) who demonstrated experimentally that resource provisioning strategy selection influences the whole digital transformation process.

Providing support to a larger range of innovative initiatives enhances their impact, the project funding and its rate of success. More so, Lemarleni et al., (2017) claimed that plan application is a critical phase of the strategic management process but however it depends with resources availability.

Many businesses use effective tactics to get a competitive advantage. However, resourcing and its allocation has always been a challenge and this has resulted in companies failing to achieve their strategic objectives. This is also evidenced in the Zimbabwean Life insurance industry which is characterised by retarded uptake and deployment of digital technologies.

Conclusions

Overall, there is a positive relationship between resource allocation and digital transformation. It was asserted that resources are the fundamentals that shapes and model the digital transformation and its journey thereof. This is inclusive of the hardware and software requirements. In this respect efficient resource allocation and adequate capital expenditure budgeting is key especially with regards to the information technology related space. It was therefore asserted that a firm which does have a budget for hardware and software resources performs better as compared to the organisation that has a limited budget. This is also inclusive of the human capital resources whose needs should be adequately addresses to achieve a high staff retention rate.

Failure to do so will result in skills flight as the IT experts seek green pastures elsewhere. There is need for developers who can efficiently operationalise the digital transformation process and there is need for financial resources to purchase the requirements like laptops and servers. The management need to developing digital transformation strategies to help insurance businesses maximize customer experience and achieve their digitalization goals. The management need also to realign the entire business infrastructure, incorporate valuable initiatives and prioritize results-driven technologies. There is also need to develop the digital transformation strategy. Digital transformation strategy includes incorporating digital technologies across all facets of an organization to promote better efficiency and collaboration as well as deliver a top-notch experience to the customers. New digital infrastructure requires recruiting new staff members as well as upskilling existing ones. In this view, the management to hire technologically proficient people to ensure digital transformation success and also to hire digital transformation consultants to help them with their digitalization process.

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References


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